

Further Application Rounds for Establishing New Partnership Schools

Proposal

1. As requested by Cabinet, this paper sets out the policy and fiscal implications of further application rounds for establishing Partnership Schools | Kura Hourua (Partnership Schools).
2. I seek Cabinet agreement to a further application round, to establish new Partnership Schools to open at the beginning of 2015, with funding provided at Budget 2014. This will give Cabinet the opportunity to consider the initial results and the external evaluation carried out during 2014, [REDACTED]

s 9(2)(f)(iv) OIA

3. [REDACTED]

Executive Summary

A second application round

4. Partnership Schools are part of the Government's strategy to improve outcomes for those learners for whom the education system is not performing well, especially Māori, Pasifika, students with special education needs and students from low socio-economic backgrounds. The first five Partnership Schools will open in 2014. This compares with 2,538 state and private schools in New Zealand. When fully established, these Partnership Schools will provide education for 840 students out of a school population of over 740,000.
5. Partnership Schools give parents increased choice and bring a wider range of educational options into the schooling network. New approaches proven through Partnership Schools could be adopted in the state system.
6. The main policy challenges include the impact of additional Partnership Schools on the existing network of state schools, especially where practices for state schools such as those around school size might be seen to be different for Partnership Schools. This can partly be addressed by prioritising applications for Partnership Schools in areas of high demand where the potential sponsor has made a compelling case that their Partnership Schools will cater for priority students.
7. We want to explore further the level of support that should be available to assist potential sponsors before they engage in a selection process, and for successful applicants in the establishment phase. This is to make sure that potential sponsors have the capability to govern a school and manage a large budget. My proposal in this paper will provide a period for us to trial more intensive support for potential sponsors.

8. We will manage the public interest by providing greater transparency about the applicants at an earlier stage in the selection process.
9. Further rounds require the provision of funding, because the property support and the base funding for Partnership Schools cannot be offset by funding already in the system. Funding for any future rounds will need to be provided through the Budget process.
10. There are significant benefits from students from low socio-economic backgrounds gaining a level of education that will enable them to achieve economic and social well-being throughout their lives. We want five out of five learners to achieve educational success because of these benefits. The commitment to Partnership Schools is one of the paths to do this.
11. The results of the first round indicate there is ongoing sponsor and community demand for Partnership Schools that justifies further investment. In order to make the most of this interest, I propose that Cabinet agree to a second round, with selection commencing very soon, for new Partnership Schools that will open in 2015.

12. It is important, however, that we have good information [REDACTED]
[REDACTED] Therefore I propose to give Cabinet the opportunity to consider the initial findings of monitoring information, including an external evaluation carried out during 2014, [REDACTED]

s 9(2)(f)(iv) OIA

Evaluation Framework

13. The evaluation referred to above is the first part of a formative external evaluation of the Partnership Schools model to be staged over four years. This will add to the credibility of assessment from other sources and provide a cumulative overview of how the model is developing and the outcomes are achieved. It is designed to provide assurance to government and parents about whether Partnership Schools are providing education and learning of a high standard.

Funding Shortfall

14. In the paper "Partnership Schools | Kura Hourua: Selection and Ongoing Provision" [CAB Min (13) 24/15 refers], I advised that if five schools successfully completed contract negotiations, there would be a shortfall in the funding allocated for Partnership Schools through Budget 2013.

15. [REDACTED]

Background

16. In 2013 Cabinet:

s 9(2)(f)(iv) OIA

"agreed in principle to an annual application round with procurement commencing in October 2013, contingent on the necessary funding being included in Budget 2014, with a second tranche of Partnership Schools opening in Term 1, 2015;

invited the Minister to report to the Cabinet Social Policy Committee in September 2013 on the policy and fiscal implications of an annual round;" [CAB Min (13) 24/15 refers].

17. In 2012 Cabinet invited the Associate Minister of Education to report back to Cabinet Social Policy Committee on designing an evaluation process for Partnership Schools [CAB Min (12) 26/6 refers].
18. The Prime Minister and the Leader of the ACT Party and I have recently announced the first Partnership Schools. I am advised that the five Partnership Schools approved are on track for opening at the beginning of 2014.
19. Partnership Schools have greater flexibility than state schools. For example Partnership Schools can: negotiate the number of registered teachers they employ; negotiate salary levels and employment conditions with employees; employ a chief executive responsible for the day-to-day running of the school, who is not a registered teacher; set their own length of school day and year; set their own curriculum providing it uses the vision, principles, values and key competencies of The New Zealand Curriculum [CAB Min (12) 26/6 refers].
20. Many other countries have policies to bring new players into their education network to address student underachievement, particularly for those groups for whom the system is underperforming. These include charter schools in the United States and academies and free schools in the United Kingdom.
21. As at 1 July 2012, the number of state and private schools in New Zealand was 2,538. When fully established, Partnership Schools will provide education for 840 students out of a school population of over 740,000.

Implications of further application rounds

22. Further application rounds for new Partnership Schools create opportunities, challenges, and costs. These are explored further in the discussion below.

Policy opportunities


23. Over time, further application rounds will create a critical mass of Partnership Schools, with increased choice for parents, more diversity and a greater contribution to the education system, and proven new approaches that could be adopted to help students achieve success in the state system.
24. **Increased options for parents.** For parents living near Partnership Schools, further rounds will mean increased choice about the type of school their child attends, potentially leading to better educational outcomes for priority students.
25. **An ability to support a wider range of educational options.** Increasing the numbers of Partnership Schools could increase the potential for innovative approaches, such as establishing Partnership Schools that cross existing barriers to child-centred learning, for example, institutions that cover early childhood and schooling.
26. **An increased contribution to the overall education system.** The model could be considered to increase diversity in areas of roll growth where there is a need for the state to increase provision. The possibility of Partnership Schools being established in such areas could be factored into planning to provide for a mix of state schools, integrated schools and Partnership Schools.

27. **Increased opportunities to adopt successful and innovative practice from Partnership Schools for use in state schools.** Sharing successful practices is one of the purposes of the Partnership Schools model. Some of the approaches or practices in Partnership Schools, if successful, could be adopted by state schools. Possible examples could be innovative ways to engage students in learning, a more outcomes-focused approach to school reporting, or the ways that the schools provide pastoral care for their students.

Managing the implications of further rounds



28. Moving to further rounds also carries some policy challenges. A number of these can be mitigated through tightening the application and approval processes.
29. **Managing the impact of additional Partnership Schools on the overall network of schools.** The first Partnership Schools have a minimal forecast impact on local schools because they are relatively small or are in areas of population growth. In future rounds, we cannot know where the strongest applications will come from. Partnership Schools are schools of choice and, in order to provide for those students who do not choose to attend a Partnership Schools, new or existing state schools may still be required.
30. I intend to prioritise applications for Partnership Schools in areas of high demand where the potential sponsor has made a compelling case that their Partnership Schools will cater for priority students.
31. **Potential inconsistencies between the sizes of Partnership Schools and practices for state schools.** If more small Partnership Schools are approved, this will be difficult to reconcile with current practices for state schools that aim to achieve the benefits of scale for students, including broader curriculum options and greater teaching specialisation. This is at least in part mitigated by enabling successful Partnership Schools who wish to do so to increase their roll in response to parental demand as agreed in their contracts.
32. **The level of support required by potential and successful sponsors may have resource implications for the Ministry.** The first round has shown that many of the potential sponsors are passionate community groups who will need initial and ongoing support, primarily from the Ministry of Education. I expect future rounds will attract similar sponsors, so these resource implications have been factored in. This will be mitigated by emphasising the importance of governance and management experience in the application material and adding further weight to these criteria during the selection process.
33. The Ministry of Education and the Authorisation Board are exploring how additional support can be made available to assist potential sponsors before they engage in a selection process. Better early support is likely to improve the quality of applications.
34. **Managing the public interest.** Maintaining applicants' confidentiality to comply with all-of-government procurement rules created unnecessary pressure. The Ombudsman has stated that the public interest would be better served through the proactive release of information about potential Partnership Schools during the selection process. This can be achieved in future rounds through appropriate changes to the process to provide greater openness about the applicants at an earlier stage. Applicants would need to be advised at the outset that their applications and records from the selection process would be made public.

Fiscal implications

35. Cabinet agreed to a funding model for Partnership Schools that gives them similar funding to state schools [CAB Min (13) 5/9 refers]. The three most expensive cost components of this model are the property support, the base funding and the per-student funding. Only the per-student funding can be offset by funding already in the system. New money will be needed to pay for new Partnership Schools and to cover the cost increases set out in the contracts of existing Partnership Schools.
36. The cost is particularly high, especially for small secondary schools. The development of a resourcing formula for Partnership Schools based on equivalence with state schools highlighted the significant amount of base funding that small state schools get that is not roll-related. This is to ensure that they are viable, regardless of the number of students enrolled. Property funding for Partnership Schools is essentially a leasing model and is based on the school's final roll so that the school does not have to move as its roll builds up.
37. These factors mean that the cost of small schools is much higher on a per student basis than larger schools (Figure 2 refers). However, the Partnership Schools model excludes initial capital costs associated with buying land as is usual in the state system.
38. **More schools will mean higher ongoing cost adjustments.** The more schools there are, the higher the amount needed for annual Budget cost adjustments, as set out in the contracts with the schools.
39. Successful Partnership Schools may ask for maximum roll increases in accordance with their contracts. If agreed, these could result in increased costs but could create benefits of scale as mentioned in paragraph 31. Roll increase costs could also potentially be managed within Budget allocations, depending on the size and type of the schools selected in any one year.
40. **Partnership Schools will need to be considered for eligibility for new initiatives developed for state schools.** When new initiatives that provide funding on the basis of individual schools arise, excluding Partnership Schools will not be appropriate if this means priority students miss out.
41. 

Rationale for more Partnership Schools

s 9(2)(f)(iv) OIA

42. There are significant benefits from students from low socio-economic backgrounds achieving a level of education that will enable them to achieve economic and social well-being throughout their lives. The results of the first round indicate there is ongoing sponsor and community demand for Partnership Schools that justifies further investment.
43. In order to make the most of this interest I propose that Cabinet agree to a second application round for new Partnership Schools that will open in 2015.
44. It is important we have good information  Therefore I propose to give Cabinet the opportunity to consider the initial findings of monitoring information, including an external evaluation carried out during 2014, 

s 9(2)(f)(iv) OIA

[REDACTED]

45. The indicative sequencing is as follows:



s 9(2)(f)(iv) OIA

Figure 1: Indicative sequencing of rounds

Indicative costs of Round Two

- 46.



s 9(2)(f)(iv) OIA

- 47.

48. This compares with a baseline of \$5.521 billion for the state school system in 2012, including salaries, operational grants and property.

s 9(2)(f)(iv) OIA

- 49.

[REDACTED]

Lessons learnt from Round One

50. Lessons learnt from the first application round are outlined below and are being addressed in the preparation for the next round.

51. **Giving stronger direction about where and what types of schools are being sought.** When calling for a new round of applications, the Government could specify

what factors will be given preference in determining the successful applications. The sorts of preference criteria that I will consider for inclusion in the next round are schools that:

- 51.1 cater for primary-age students
 - 51.2 will make effective use of the flexibilities offered by the model, while ensuring existing schools are not applying to be a Partnership Schools as a pathway to maximise their funding (see also para 52 below)
 - 51.3 are large enough to be comfortably viable
 - 51.4 are in areas of roll growth
 - 51.5 can demonstrate a strong case for their location in relation to priority student demographics and areas where students are not being well served by the education system.
52. Not all applications will make a significant difference for priority learners that justifies the government investment. For example, I do not see Partnership Schools as providing a funding pathway to increased state funding for private schools and, while applications from private schools will not be ruled out, I do not see them as a priority.
53. Giving stronger direction at the start of an application round would allow me to steer the decisions about the schools that get selected, but would not rule out the selection of any proposal that was outstanding but did not fit within these factors.
54. **Improving the application process.** There are opportunities to improve and streamline the application and selection processes to focus on information that is essential for evaluation and decision-making. Providing more information earlier to potential sponsors about what is required will improve the quality of applications.
55. **Ensuring applicants are clear about what is expected of them.** Applications need to demonstrate why and how their schools will produce superior learning outcomes, and how both absolute results and progress in student achievement will be measured and reported. Adding greater weighting to the factors noted in paragraph 32 above and providing more information earlier to potential sponsors about what is required will also improve the quality of applications.
56. **Ensuring sufficient time is allowed for approved Partnership Schools to get established.** Ideally chosen schools should have a year for set-up. [REDACTED]
- [REDACTED] s 9(2)(f)(iv) OIA
57. **The application process for the first round was extremely rigorous.** I intend to continue with this approach.

Evaluation

58. This section of the paper deals with the objectives and design of the evaluation framework I propose for Partnership Schools.
59. The Cabinet paper "Developing and Implementing a New Zealand Model of Charter School" states:

"A strong evaluation programme will be put in place that thoroughly examines the impact and effectiveness of the first such schools. This will enable us to make informed decisions about whether or not to open further such schools in the future" [CAB Min (12) 26/6 refers].

60. The framework for Partnership Schools already has three ways to gather and review information about the schools:
- 60.1. **through data that is provided to the Ministry of Education.** This will include information provided through the requirements of legislation and the contract, in particular analysis of whether the school is meeting the targets set under the Performance Management System²
 - 60.2. **review by the Education Review Office (ERO).** In the lead-up to the opening of a Partnership School, ERO will conduct a readiness review. ERO will then prepare a New Schools Assurance Review on the schools in 2014 that will provide public assurance that the schools have effective processes and planning to provide quality education for its community. The schools will be reviewed again eighteen months after opening. Thereafter reviews will be on the same review cycle as state schools³
 - 60.3. **oversight by the Authorisation Board,** the advisory group to the Minister of Education set up under section 158C (1) (b) of the Education Act 1989. The group has the statutory duty to report to the Minister of Education on the "educational performance of partnership schools kura hourua".
61. An external evaluation will add to the credibility of the assessment from these sources and be able to provide a cumulative overview of how the model is developing and what outcomes it is achieving. It is designed to provide assurance to parents about whether Partnership Schools are providing education and learning of a high standard.
62. The Ministry of Education is developing a three-stage evaluation covering four years. I am advised that, in the first year, the evaluators will focus on matters such as how Partnership Schools are using the new model to set up institutions that are different from state schools; how they interact with parents, family, and whānau; and what factors have helped and hindered implementation. Results from this stage can be used to develop better selection and implementation processes.
63. In the second year, the evaluation will look at how the schools are developing the conditions to achieve their outcomes. By the third year, the first Partnership Schools will have two years' worth of outcome data and the evaluation can begin to draw conclusions about how well the model is achieving the outcomes sought.
64. There will be a report for each year and a final report in 2017. The focus will be on the implementation and outcomes of the model rather than an assessment of the individual schools.

² The Performance Management System sets specific targets that the schools must meet in the areas of student achievement, student well-being and engagement, financial health and enrolling the target groups.

³ Reviews are every three years unless the schools are doing very well (in which case they can be on a longer review cycle) or give cause for concern (in which case they have a shorter review cycle)

65. The evaluation phasing is as follows:

Group	2014	2015	2016	2017
Round 1 Schools opening in 2014	Evaluation of establishment phase	Conditions for success evaluation	Outcomes evaluation	Continued evaluation, for changes from previous findings
Round 2 Schools opening in 2015		Evaluation of establishment phase	Conditions for success evaluation	Outcomes evaluation
Reporting		Report in early 2015 on establishment phase of the Round 1 schools	Report in early 2016 on conditions for success for Round 1 schools and establishment phase for Round 2 schools	Report in early 2017 on outcomes for Round 1 schools and conditions for success for Round 2 schools Final cumulative report late 2017

Funding Shortfall

66. Funding allocated in Budget 2013 for Partnership Schools was:

Vote Education	2013/14	2014/15	2015/16	2016/17	2017/18 & Out years
Partnership Schools / Kura Hourua	5.846	4.368	4.368	4.368	4.368

67. In the paper "Partnership Schools | Kura Hourua: Selection and Ongoing Provision" [CAB Min (13) 24/15 refers], I noted that if five schools successfully completed contract negotiations to open in 2014, there would be a shortfall in the funding allocated for Partnership Schools through Budget 2013.

68.

69.

70.

s 9(2)(f)(iv) OIA

Consultation

71. The Treasury has been consulted and its views are included in this paper. The Education Review Office and the Department of Prime Minister and Cabinet have been informed.
72. The Authorisation Board has been consulted on this paper. It is not convinced that specifying the factors that will be given preference in determining the successful applications, as described in paragraph 51, is necessary. It believes this could antagonise existing schools or communities in specified areas, and could distort the response to the Request for Applications.

Human rights, gender, disability and legislative implications

73. There are no Bill of Rights, human rights, gender, or disability implications in this paper. The paper does not have legislative implications and therefore no regulatory impact analysis is required.

Publicity

74. I will announce the decision about a further round following Cabinet's decisions, at the appropriate time. I intend to release this paper and related Cabinet decisions online, subject to any deletions that would be justified if the information had been requested under the Official Information Act 1982.

Recommendations

75. The Minister of Education recommends that the Committee:
 1. **note** that this paper responds to Cabinet's invitation to report back on the policy and fiscal implications of an annual application round for establishing Partnership Schools;
 2. **note** that it also responds to Cabinet's invitation to the Associate Minister of Education to report back on designing an evaluation process for Partnership Schools;
 3. **note** that Partnership Schools are part of the Government's strategy to improve outcomes for those learners for whom the education system is not performing well, especially Māori, Pasifika, students with special education needs and students from low socio-economic backgrounds;
 4. **note** that Partnership Schools have greater flexibility than state schools. Partnership Schools can: negotiate the number of registered teachers they employ; negotiate salary levels and employment conditions with employees; employ a chief executive responsible for the day-to-day running of the school, who is not a registered teacher; set their own length of school day and year; set their own curriculum providing it uses the vision, principles, values and key competencies of The New Zealand Curriculum [CAB Min (12) 26/6 refers];

Implications of further rounds

5. **note** that the main policy benefits of further application rounds are increased choice, a wider range of educational options for parents, and proven new approaches that could be adopted in the state system;
6. **note** that the main policy challenges to be managed are:

- 6.1. the impact of extra schools on the existing network of state schools, especially where practices for state schools such as those around school size might be seen to be different for Partnership Schools;
- 6.2. getting the level of support right to assist: potential sponsors before they engage in a selection process and successful applicants in the establishment phase, to make sure that sponsors have the capability to govern a school and manage a large budget;
- 6.3. meeting the public interest through greater transparency about the applicants at an earlier stage;
7. **note** that additional funding will be required for new Partnership Schools established through further rounds, since the property support and the base funding for Partnership Schools cannot be offset by funding already in the system;
8. **note** that there will be increasing costs from increasing numbers of Partnership Schools such as contract increases for existing schools, inclusion of the schools in new initiatives and support for sponsors and potential sponsors;
9. **note** that these increased costs can be justified in terms of the significant benefits from students from low socio-economic backgrounds gaining a level of education that will enable them to achieve economic and social well-being throughout their lives;
10. **note** that the results of the first round indicate that there is ongoing sponsor and community demand for Partnership Schools that justifies further investment as a means of improving outcomes for priority learners;
11. **agree** that there will be a Round Two, with new Partnership Schools opening in 2015;

12. [REDACTED]

s 9(2)(f)(iv) OIA

13. **note** that, when calling for Round Two applications, I intend to give specific directions about the types of schools and other factors that will be given preference in determining successful applications;

14. **invite** the Minister of Education to report to Cabinet Social Policy Committee on available monitoring information, including the initial results of the evaluation, early in 2015 [REDACTED]

s 9(2)(f)(iv) OIA

15. [REDACTED]

s 9(2)(f)(iv) OIA

Evaluation

16. **note** that an external evaluation of the Partnership Schools model will add to the credibility of assessment from other sources and provide an overview of how the model is developing and the outcomes achieved;
17. **note** that a three-stage evaluation covering four years is being developed that will report cumulatively on how the schools are using the new model to set up institutions that are different from state schools; how well they are setting the conditions for educational success; and how well the model is achieving the outcomes sought;

Financial

18. **note** that in July 2013, Cabinet approved appropriation increases to establish Partnership Schools (CAB Min (13) 24/15 refers);

19. [REDACTED]

s 9(2)(f)(iv) OIA

20. [REDACTED]

s 9(2)(f)(iv) OIA

[REDACTED]

s 9(2)(f)(iv) OIA

21. [REDACTED]

s 9(2)(f)(iv) OIA

22. [REDACTED]

s 9(2)(f)(iv) OIA

23. [REDACTED]

s 9(2)(f)(iv) OIA

Publicity

24. **note** that I will announce Round Two at the appropriate time after Cabinet has confirmed its decision;

25. **note** that I intend to release this paper and related Cabinet decisions online, subject to any deletions that would be justified if the information had been requested under the Official Information Act 1982.



Hon Hekia Parata
Minister of Education

31.10.13



REDACTED